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FISCAL IMPACT REPORT

SPONSOR Rawson DATE TYPED 2-3-04 HB _____

SHORT TITLE Horse Racetrack Cost Deductions SB 382

ANALYST Neel

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY04	FY05			
	*\$1,900.0	Increasing	Recurring	General Fund
	*(\$1,900.0)	Increasing	Recurring	Race Tracks

(Parenthesis () Indicate Revenue Decreases)

* Based on fiscal impact for SB 162 from 2003 session

SOURCES OF INFORMATION

LFC Files

Response Received From:
Gaming Control Board (GCB)

No Response Received From:
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

Senate Bill 382 would eliminate the 2% pari mutuel capital improvement tax credits at all New Mexico racetracks with slot machine casinos and eliminate funding for advertising for Class A licenses. Class A licenses are any licensee that, during the preceding calendar year, the gross amount wagered through the pari-mutuel system was \$10 million or more.

Significant Issues

Currently New Mexico racetracks can use 2% of the first \$250,000 daily handle, up to \$5,000 per-day, from pari mutuel taxes to offset expenditures paid by racetracks for approved capital improvements to their facilities, and in cases of Class A racetracks, to offset certain marketing expenses. During FY02, racetracks generated \$1.9 million in capital improvement tax credits.

FISCAL IMPLICATIONS

*According to data provided by the Racing Commission, elimination of tax credits would yield approximately \$1,900.0 to the general fund. The pari-mutual tax, less allowable offsets is deposited in the general fund; except that up to \$50.0 of the amount generated from a track located within a municipality may be transferred to the that municipality. The amount of the municipal transfer is determined by TRD.

OTHER SUBSTANTIVE ISSUES

According to the Racing Commission, racetracks made over \$44 million in approved capital improvements to their facilities since the inception of the legislation. The average payback period for the racetracks ranges from two to five years. It should be noted that the four racetracks have turned into profitable enterprises with net income of \$4.3 million and \$5.6 million for tax year 2000 and 2001 respectively. For tax year 2002 net income based on two of the four racetracks reporting was in excess of \$14 million.

SN/lg